



**Michigan Concerned Citizens Alliance**

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**NEWS LETTER**

**Get informed about Michigan no-fault insurance**

Greetings Concerned Citizens,

The following are three e-mail letters exchanging dialogue with the Michigan Concerned Citizens Alliance. After reading, hopefully you will want to know more about the Michigan Catastrophic Claims Association (MCCA).

"I have read your arguments abolishing the MCCA ([www.abolishmcca.com](http://www.abolishmcca.com)). However, it appears that you are mostly angry about the lack of oversight and mismanagement of the association. This I cannot agree with you more. But if your goal is to completely abolish the MCCA rather than reform it, I cannot give you my support. I only ask that you consider what would you do if someone you love was seriously hurt in an automobile accident. My mother, sister and a 11 month old nephew died in the crash. My nephew who was 2 years old at the time survived. He suffered severe brain damage and is now partially paralyzed on his left side. He will require a lifetime of 24 care. This all was caused by a cement truck driver who was found to be negligent in a court of law. If it was not for the MCCA, I don't know how my brother-in-law could get by. So, I would urge you that instead of abolishing the MCCA you should concentrate on reforming it."

Response.

You are the second person to respond in your fashion, folks who found themselves in a dreadful circumstance. Thank you for sharing your well written tragedy. ..

Last e-mail dated 7 Nov 2006 to Michigan Concerned Citizens Alliance.

"Thank you for your reply. You can share my e-mail with others if you like, but please keep my name anonymous. As of right now, the insurance company is currently paying for all of my nephews medical needs. My only concern is that at some point they may drop coverage all together. I am told that the MCCA would pick-up the coverage where the insurance company left off. I hope that the insurance company lives-up to their responsibilities, but I don't feel confident that this will happen in the current environment. I guess the real reform should be to hold the insurance companies more responsible".

We are the Michigan Concerned Citizens Alliance. We are unpolished politically, but we have been around for five years and gaining momentum. We are no longer naive about the goings on in the auto insurance business in Michigan.

You could not make up a better story than the Michigan Catastrophic Claims Association (MCCA). This well established organization is profit driven and on a crash course with nobody at the controls. The MCCA is somewhat spooky. They are a secret society and are milking us for billions of dollars.

**What is the Michigan Catastrophic Claims Association?**

According to the *Insurance Institute of Michigan*, the MCCA was created by the state Legislature in 1978. The MCCA reimburses auto insurance companies for Personal Injury Protection (PIP). **Comment:** This would insure that no insurance company located in Michigan would ever have to worry about going bankrupt. The Institute states, Michigan auto insurance no-fault provides unlimited coverage for medical that result from auto accidents. The cost to run such a system is expensive. Without the MCCA, the stability of one insurance company could be threatened by a series of catastrophic claims. The Office of Financial and Insurance Services regulate the MCCA. **Comment:** Executives run the MCCA from the five major insurance companies in Michigan, with input from other insurance companies. Their goings-on are confidential. The MCCA phone number is 734.953.2779.

For four years, the newspapers in the Upper Peninsula were asked for space in their guest opinion column, to inform the public about the Michigan Catastrophic Claims Association. Most published our request. (The folks who responded to the news releases are the Michigan Concerned Citizens Alliance). We are the disenfranchised. We want answers to why we pay a 2,000% increase in our auto/motorcycle and now historic vehicle insurance rates to the (MCCA). Please visit our website [www.abolishmcca.com](http://www.abolishmcca.com) the site is undergoing many updates and changes including this updated News Letter. The readership of the current newsletter shares a common theme-we feel so hopeless and cannot affect any change.

Additionally, the folks in Lansing are also getting the message. The Freedom of Information Act is one means of gathering information. It is comforting to know that common citizens can get answers and go to the inner workings of government and the Michigan Catastrophic Claims Association, albeit the MCCA has the privilege of immunity from public scrutiny.

Look at your current bill from your auto insurance company. Notice that the dues you pay to the MCCA are around \$140.00 annually. In the year 2000, you paid \$10.00 annually. This money is investment income for the auto insurance people and they do not file income tax, because they are a non-profit organization.

Documentation from the *Annual Statements for the Michigan Catastrophic Claims Association* for years 2003 to fiscal year 2006 details the investment losses the MCCA have sustained. There were some questionable investments with our contribution. Your surpluses are dwindling with cash deficits from \$1.6 billion for 2006, \$2 billion in 2005, \$1.7 in 2004, and \$ 2.2 billion in 03 and \$900 million in 2002. The insurance companies do not sustain any loss because you will pay your dues until the cows come home. The MCCA is in the lending business too, and do not have to divulge that information because they are sanctioned by law. It is inconceivable that any loans went out for campaign financing.

The Michigan Secretary of State Office report that there are some six million vehicles registered. Multiply that by \$140.00 per vehicle the sum is what we pay to the MCCA.

An astute College Professor of Economics and Business was asked to look at the *Annual Statement* for the Michigan Catastrophic Claims Association for fiscal year 2006. He replied with an e-mail and the following are his poignant remarks. The trustworthy Dr. of Economics and Business was asked to analyze the 2006 fiscal Financial Report of the MCCA, (do not get bored with the numbers because they go to the inner working of the MCCA). The complete text is available upon request, e-mail to [abolishmcca@yahoo.com](mailto:abolishmcca@yahoo.com) the remarks are a simplified accounting statement, which is much appreciated. The following are his remarks.

I asked a colleague who holds a PhD. in accounting, to look over the financial forms, fiscal year 2006 submitted for the MCCA. "There are no "red flags". There were no "smoking guns". That does not mean that there is no problem with having the MCCA; it just means there are no obvious flaws in their accounting statements. The MCCA conformed to accepted accounting conventions for recording information. The income from auto policy assessments was \$967,228,414, total income was

**\$1,339,604,179.**

Expenses for claims paid was **\$967,927,754**, other expenses for salaries was \$3,945,942. The MCCA net income was \$367,730,483. Total assets \$9.3 billion. Total stockholders deficit, losses of **\$1,616,952,701** or 1.6 billion. The driving force behind the rising assessments on our auto insurance policies, of course is the anticipated reserves needed for anticipated future claims.

An insurance company or, in MCCA's case, a "re-insurance" company that insures actual auto insurance companies, is basically a "vault" full of stocks and bonds and other investments. Premium income (the MCCA assessments on auto policies) goes into the "vault". The money coming in is supposed to exceed the money going out so that there is a surplus that can be invested in stocks and bonds which will produce additional income in future years. The value of the stocks and bonds in the "vault" should grow in value, over the years in order to help pay future claims.

As I understand it, the big problem has been that the trial lawyers have gradually expanded the definition of what injuries are covered and what benefits can be paid, so that the size of the program is much larger than anything intended when the MCCA was first authorized. The other big problem is that there is no effective oversight, and hence no effective check on growth, or the reasonableness of the benefits it provides to injured parties.

**Comments:** The MCCA took your money you are sending them for assurance that you would be taken care of if you had a catastrophic claim, such as the person at the beginning of this report. The money we sent was lost in investments in the sock and bond market, hence we will make sure that our donations will assure no insurance company located in Michigan will never worry about going bankrupt. There is a great deal of profiteering and we are being taken for the ride. This is tax-free income

A Michigan Freedom of Information Act, MCL 15.231 et seq, Section 5 (4) (b) 1976.P.A. 442 was submitted to the State of Michigan for two requests.

- 1) Copies of proceedings of the Board of Directors of the MCCA. The request was denied, the State of Michigan is not privy to the goings on of the MCCA.
- 2) Question, to whom was the MCCA loans given to, \$846,868,936 and \$860,926,960 as of June 30, 2006, with similar loans in fiscal year 2005?

**Answer from John R. Schoomaker, FOIA Coordinator. The MCCA participates in a custodial bank securities lending program, whereby securities have been lent to various brokers. A foot note, if there is an appeal it could involve punitive damages up to \$500.00**

A man from Stephenson, Michigan called with a word of advice. If you are in an accident do not accept the insurance from your employer and your auto insurance company at the same time, it was not a good mix for he and his wife.

If you want to receive future newsletters, send a self-addressed postage paid envelope to the Michigan Concerned Citizens Alliance to the address on this letterhead. The newsletter will be posted on our webpage.

You are getting a lot of political double talk from Lansing, now you are getting the unvarnished truth. For sure the business of the Michigan Catastrophic Claims Association is very confusing (pain and suffering damages in auto/motorcycle crashes). It is our obligation as citizens to ask the tough questions and get answers from our State government.

Lastly, a very real solution to the economic crisis in Michigan is for the state to take over the MCCA and allow the state to oversee the no-fault insurance law.

**Solutions:**

- Citizens will ultimately make a change in the current no-fault insurance and the MCCA, public scrutiny always prevails, because citizens give the marching orders to the politicians.
- The Governor must act and attempt to turn over the powers of the Michigan Catastrophic Claim Association to the Office of Finance and Insurance Services.
- The Auditor General Office needs to do a serious investigation of the MCCA, and the Attorney General should be involved.
- Write State Senator Michael Prusi, Farnum Building, room 515, box 30036, Lansing, MI 48909-7536. Phone: 1.517.373.7840
- Write or e-mail State Representative Virgil Smith, S0686 House Office Building, P.O. Box 30014, Lansing MI 48909-7514. Phone: 517.373.0589. email: [virgilsmith@house.mi.gov](mailto:virgilsmith@house.mi.gov) Virgil chairs the Committee on Insurance after the 2007 elections, replacing Joe Hune.
- Write a letter to the Governor, Gov. Jennifer Granholm, P.O.Box 30013, Lansing, MI 48909, Phone 517.335.7858.
- Help in getting the word out; also keep those letters and e-mails coming to the Michigan Concerned Citizens Alliance. A referendum was tried in the past to get a change in the law, it failed. Another possible solution is to make the payments to the MCCA voluntary. Write a letter to your local newspaper and express your opinion.

Respectfully Submitted,

Patrick Kennedy